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INTRODUCTION

The Office of Internal Audit performed an audit of Hospital Corridor and Lafayette Medical District, Wayne County FIA for the period October 1, 2000 through December 31, 2001. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that Agency assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of Michigan Family Independence Agency (FIA) are being followed. The Hospital Corridor and Lafayette Medical FIA had 112 full time equated positions (FTE's) at the time of our review. The Hospital Corridor and Lafayette Medical District provided assistance to an average of 2,467 recipients per month during FY 2000, with total assistance payments of \$4,466,259 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Hospital Corridor and Lafayette Medical District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Client Processing	CIS/ASSIST
Cash Disbursements	Cash Receipts
State Emergency Relief	IRS Information Security
Safe & Controlled Documents	Procurement Card
Payroll	

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Hospital Corridor and Lafayette Medical District internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with

management's authorization. Our audit disclosed no exceptions in the Cash Receipts, Cash Disbursements, or Client Processing systems. We did, however, find a few instances of noncompliance with FIA policies and procedures and weaknesses in internal controls for the other systems included in our scope, which are detailed below.

DISTRICT RESPONSE

The management of the Hospital Corridor and Lafayette Medical District has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated March 20, 2002 and subsequent e-mail, that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

COMMON RECOMMENDATIONS FOR IMPROVED INTERNAL CONTROLS

The following is an area where we have identified a common control weakness at Hospital Corridor and Lafayette Medical District, and we are recommending a change in procedure to reduce the risk associated with the control weakness.

Backup Designated Staff Person

1. The Lafayette Medical and Hospital Corridor District did not have a backup Designated Staff Person (DSP) for safeguarding confidential information that may be received from the Internal Revenue Service (IRS), as required by Program Administrative Manual (PAM) 803. The District should have a backup DSP in case information is received on a day when the DSP is out of the office.

WE RECOMMEND that the Lafayette Medical and Hospital Corridor District appoint a backup Designated Staff Person, and comply with procedures as outlined in Program Administrative Manual (PAM) 803.

CIS Security Agreements

2. The Hospital Corridor District did not have accurate, up-to-date CIS Security Agreements (FIA-3974A) on file for two employees who had access the Client Information System (CIS), as required by L-Letter 97-063. The Lafayette Medical District had five employees who did not have accurate, up-to-date CIS Security Agreements on file.

WE RECOMMEND that Hospital Corridor and Lafayette Medical Districts ensure that they have accurate, up-to-date CIS Security Agreements on file for all employees who have access to the CIS system.

LAFAYETTE MEDICAL DISTRICT

IRS Data Control Sheet

3. The Lafayette Medical District did not properly complete the Internal Revenue Service (IRS) Data Control Sheet (FIA-4488) when recording Unearned Income Notices (FIA-4487A) received at the District. The employee signature and disposition columns were not completed, as required by PAM Item 800. Completion of the FIA-4488 is necessary to document that the District is maintaining the confidentiality of information received from the IRS.

WE RECOMMEND that the Lafayette Medical District complete all sections of the IRS Data Control Sheet.

MA-010 Reconciliation- Openings and Reopening

4. The Lafayette Medical District did not reconcile a sample of new case openings and reopenings from the MH-132 or the MA-010 Report to screen copies with accepted

transaction numbers, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. Reconciliation of openings and reopenings provides assurance that cases were opened by their assigned workers.

WE RECOMMEND that Lafayette Medical District reconcile a sample of case openings and reopenings to a screen copy with an accepted transaction number.

Procurement Card Log

5. The Lafayette Medical District did not properly complete the Procurement Card Log. They did not record the date purchases were received and there was no employee signature to document that a reconciliation of the Procurement Card Log to the Detail Transaction Report was completed. Proper completion of the Procurement Card Log and reconciliation to the Detail Transaction Report help to ensure that all procurement card purchases are appropriate.

WE RECOMMEND that the Lafayette Medical District complete all items listed on the Procurement Card Log and reconcile transactions to the Detail Transaction Report and vendor receipt.

Preaudit of FIA-849's

6. The Lafayette Medical District did not retain documentation that Authorization/Invoices (FIA-849) were preaudited, as required by Accounting Manual Item 413. Preauditing of payment authorization documents, and documenting that the preaudit was done, helps to ensure that all payments made are accurate and appropriate.

WE RECOMMEND that the Lafayette Medical District document preaudit work for all FIA-849 payments on the face of the document.

HOSPITAL CORRIDOR DISTRICT

ASSIST Enrollment Profile

7. The Hospital Corridor District did not have accurate, up-to-date ASSIST Enrollment Profiles (FIA-3720) on file for two employees who had access to ASSIST, as required by L-Letter 97-063.

WE RECOMMEND that Hospital Corridor have all employees who have access to ASSIST complete the ASSIST Enrollment Profile (FIA-3720).

Payroll Record and Retention

8. The Hospital Corridor FIA timekeeper maintained the certified copy of the HR-332A. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND that Hospital Corridor FIA have the certifier or someone other than the timekeeper retain the HR-332A

Controlled Document Reconciliation

9. The Hospital Corridor District did not keep the Controlled Document Log (FIA-4070) up-to-date or prepare the Monthly Controlled Document Inventory and Reconciliation (FIA-4351) for Purchase Order/Invoice (FIA-2083), as required by Accounting Manual Item 403. They also did not complete the FIA-4351 for Authorization/Invoices (FIA-849), which could be used to authorize payments.

Completion of the Monthly Controlled Document Inventory and Reconciliation helps to ensure that loss, theft, or misuse of controlled documents would be detected on a timely basis.

WE RECOMMEND that the Hospital Corridor District prepare the Monthly Controlled Document Inventory and Reconciliation for all controlled documents.